

Message Text

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ACTION EA-14

INFO OCT-01 ISO-00 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 L-03 H-03

PA-04 PRS-01 USIA-15 CIAE-00 INR-10 NSAE-00 COME-00

AGR-20 SCEM-02 NSCE-00 DRC-01 /152 W

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R 141004Z DEC 73

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 9791

C O N F I D E N T I A L MANILA 13930

E.O. 11652: GDS

TAGS: EGEN, ETRD

SUBJECT: LAUREL-LANGLEY: THE CURRENT STATE OF PLAY

1. DURING CALL ON FINANCE SECRETARY VIRATA DECEMBER 14, EC/COM COUNSELOR INQUIRED AS TO PROGRESS OF PHILIPPINE REVIEW U.S. DRAFT AER TREATY; DISCUSSED WITH VIRATA THE NEED FOR ARRIVING AT A MUTUAL CONCEPT OF THE NEGOTIATION AND SOUGHT PHILIPPINE VIEWS ON MOST APPROPRIATE TIMETABLE.

2. VIRATA BEGAN WITH COMMENTS ON U.S. DRAFT. HE STATED AS HAD EARLIER BEEN ATTRIBUTED TO HIM IN THE PRESS THAT IN HIS VIEW DRAFT TOOK NO ACCOUNT OF EARLIER NEGOTIATIONS. PARTICULARLY HE FELT THAT DRAFT SOUGHT ACROSS THE BOARD NATIONAL TREATMENT, WHEREAS BAGUIO AND WASHINGTON TALKS HAD MADE CLEAR THE LIMITATIONS IN PHILIPPINE CAPACITY TO PROVIDE NATIONAL TREATMENT. VIRATA SAID MOREOVER IT SHOULD BE UNDERSTOOD THAT "IT WOULD NOT BE POSSIBLE TO EXTEND SUCH TREATMENT TO THE JAPANESE OR OTHERS," ERGO U.S. DRAFT POSED SERIOUS PROBLEMS FOR PHILIPPINE NEGOTIATORS. EC/COM COUNSELOR APOLOGIZED TO VIRATA FOR HAVING BEEN UNABLE TO DISCUSS DRAFT PRIOR HIS
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DEPARTURE ON HOME LEAVE DUE VIRATA'S TRIP TO

NAIROBI, AND COMMENTED THAT IN JUDGMENT MANY OBSERVERS A NUMBER OF IMPORTANT CHANGES HAD OCCURRED IN PHILIPPINE INVESTMENT POLICY AND ATTITUDE SINCE THE BAGUIO/ WASHINGTON TALKS. IT WAS FELT THAT IN LIGHT OF THESE CHANGES SUCH ISSUES NEEDED COMPREHENSIVE REVIEW, AND AT THIS STAGE GOP WAS ONLY PARTLY FULLY EQUIPPED TO DEFINE CURRENT POLICIES. IT EXPECTED THAT GOP WOULD DO SO IN COURSE THESE DISCUSSIONS. VIRATA TOOK THE POINT BUT WAS NOT COMPLETELY MOLLIFIED.

3. VIRATA THEN NOTED THAT THE TREATY DRAFT WAS ONLY AN "INVESTMENT" DOCUMENT THAT IT DID NOT DEAL WITH TRADE ISSUES. HE SAID HIS GOVERNMENT HAD IN MIND "COMPREHENSIVE" NEGOTIATIONS. EC/COM COUNSELOR REMINDED VIRATA THAT DURING COURTESY CALL OF AMBASSADOR SULLIVAN, SHORTLY AFTER HIS ARRIVAL IN THE PHILIPPINES THE AMBASSADOR HAD INDICATED THAT THERE APPEARED TO BE TWO CATEGORIES OF ISSUES TO BE DEALT WITH: (A) THOSE INVOLVING THE MATTERS CONVENTIONALLY TREATED IN AN AER AND (B) THOSE RELATING TO UNFINISHED BUSINESS ARISING FROM THE END OF THE L-L AGREEMENT. THE U.S. DRAFT HAD NOT IN ITS NATURE INTENDED TO DEAL WITH BOTH SETS OF ISSUES, RATHER ONLY THOSE TRADITIONALLY AMENABLE TO TREATMENT IN AN AER. IT WAS ANTICIPATED NONETHELESS THAT THE OTHER ISSUES WOULD NEED TO BE DISCUSSED AND DEALT WITH IN AS YET UNDETERMINED WAYS.

4. VIRATA REITERATED HIS POINT THAT THE PHILIPPINES ANTICIPATED COMPREHENSIVE NEGOTIATIONS. EC/COM COUNSELOR SAID THAT A COMPREHENSIVE REVIEW OF THE ECONOMIC ISSUES WOULD OF COURSE BE NECESSARY AND FOR THIS REASON IT WAS IMPORTANT THAT IN INITIAL DISCUSSIONS A MUTUALLY AGREED CONCEPT OF THE NEGOTIATION BE ACHIEVED. IT WAS HOPED THAT ATTENTION COULD FOCUS WHEN GOP PREPARATIONS COMPLETED ON THE AER DRAFT TREATY. VIRATA MADE IT CLEAR THAT HE ANTICIPATED AT LEAST PARALLEL DISCUSSION WITH OTHER L-L ISSUES, PARTICULARLY TRADE.

5. VIRATA INQUIRED AS TO STATUS OF U.S. TRADE
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LEGISLATION AND, AS EXECUTIVE SECRETARY MELCHOR HAS DONE ON OTHER OCCASIONS, SUGGESTED THAT IT MIGHT BE UNREWARDING TO PURSUE NEGOTIATIONS PRIOR TO PASSAGE OF U.S. TRADE LEGISLATION. EC/COM COUNSELOR NOTED THAT, OF COURSE, THERE WERE IMPORTANT MATTERS SUCH AS GENERALIZED PREFERENCES IN THE LEGISLATION THAT WOULD BEAR ON THE CONTENT OF THE TALKS, BUT THAT THERE SEEMED A GREAT DEAL TO DO THAT WOULD NOT NEED TO AWAIT

PASSAGE OF THE TRADE REFORM ACT. INDEED THE WHOLE DISCUSSION OF THE AER TREATY ITSELF COULD BE CARRIED TO CONCLUSION IN THE ABSENCE OF NEW LEGISLATIVE AUTHORITY, AND MUCH PRELIMINARY WORK NEEDED TO BE DONE TO ASSURE THAT BOTH SIDES WERE PROCEEDING FROM CLEAR UNDERSTANDINGS OF ISSUES AND APPROACHES. VIRATA DID NOT RISE FULLY TO THIS INGENUOUS PLOY, BUT HE DID AGREE THAT THE PRELIMINARIES SHOULD PROCEED.

6. RESPECTING POSSIBLE TIMETABLE, VIRATA INDICATED THAT HE HAD NOT BROUGHT HIMSELF UP TO DATE ON THE WORK OF THE L-L TECHNICAL PANELS IN GOP, BUT HE THOUGHT IT WOULD BE SENSIBLE TO PLAN FOR PRESENTATION OF GOP DRAFT PROPOSALS TO THE EMBASSY IN MIN-JANUARY. AT THAT TIME, HE THOUGHT IT WOULD BE HELPFUL TO UNDERTAKE A PRELIMINARY EMBASSY/GOP REVIEW OF THE PROPOSALS IN ORDER TO BE SURE THAT EVERYBODY UNDERSTOOD WHAT WAS CONTAINED IN THE TWO DRAFTS. FURTHER WORK WOULD BE PLANNED FROM THAT POINT.

7. COMMENT: TALK MORE OR LESS CONFIRMS EMBASSY IMPRESSION THAT DISTRACTIONS OF PAST FEW WEEKS, E.G. ENERGY CRISIS, HAVE PREVENTED TOP LEVEL FOCUS ON L-L ISSUES AND U.S. DRAFT. IN THIS REGARD, WITH HOLIDAYS CLOSE AND WITH CONTINUING ENERGY PROBLEMS OCCUPYING CABINET, IT MAY BE THAT VIRATA'S MID-JANUARY TARGET IS OPTIMISTIC.

WHILE INTENDING TOUCH BASE WITH OTHER KEY PHILIPPINE PANEL MEMBERS (SICAT AND PATERNO) AS OPPORTUNITIES ARISE, EMBASSY PLANS LET MATTERS RIDE FOR TIME BEING. WE WOULD SEEK A FURTHER REVIEW WITH VIRATA OF WHERE PHILIPPINE PREPARATIONS STAND IN MID-JANUARY UNLESS
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GOP PRESENTS ITS DRAFT PROPOSALS IN MEANTIME.
SULLIVAN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENT DRAFT, AMITY, ECONOMIC COOPERATION, FOREIGN RELATIONS, MFN, LAUREL-LANGLEY AGREEMENT, TRADE AGREEMENTS, TAX AGREEMENTS, FOREIGN INVESTMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 14 DEC 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973MANILA13930
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: n/a
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731225/aaaaarwr.tel
Line Count: 156
Locator: TEXT ON-LINE
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 06 DEC 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06-Dec-2001 by cunninfx>; APPROVED <21-Dec-2001 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: LAUREL-LANGLEY: THE CURRENT STATE OF PLAY
TAGS: EGEN, ETRD, RP, US
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005